

The effect of implementing resource-based practice expense payments for physician services

ISSUE: The Social Security Amendments of 1994 required CMS to develop a methodology for a resource-based system for determining practice expenses for each physician service, and the Balanced Budget Act of 1997 required that the resource-based practice expense (PE) relative value units (RVUs) be phased in over a four-year period, 1999–2002. How has the transition to resource-based PE values between 1998 and 2002 affected payment for physicians' services? Has this transition affected beneficiaries' access to care?

KEY POINTS: To fulfill the mandate of the MMA, we conducted analyses that assess changes in payment rates and RVUs between 1998 and 2002. To measure changes in payment rates, we used a price index, which is essentially a weighted average of the ratios of current-year prices to base-year prices for each service. We used the same index approach to compute changes in total, PE, work, and PLI RVUs. The analysis of payment and RVU changes was stratified by selected physician specialties and type of service.

We also examined relevant beneficiary and physician surveys that report on beneficiaries' access to physicians and conducted a claims analysis to examine changes in beneficiaries' use of physician services between 1998 and 2002.

It will be important for Medicare to continue to refine and update the data sources used to derive RVUs for practice expenses. At issue is whether the current data sources—SMS and CPEP data—and current processes for updating these data are adequate.

ACTION: The Commission should discuss the findings of this study and options for updating resource-based practice expense payments in the future. This study is due to the Congress in December 2004.

STAFF CONTACTS: Nancy Ray (202-220-3723), Cristina Boccuti (202-220-3705).